

THE
RACING
FOUNDATION

ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Charity Registration Number: 1145297
Company Registration Number: 07890908

THE RACING FOUNDATION
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FOR THE YEAR ENDED 31 DECEMBER 2017

Contents

	Page
Reference and administration details	1
Trustees' report:	2-10
Structure, Governance and Management	
Objectives and Activities	
Strategic Report	
Independent auditor's report	11
Statement of financial activities	13
Balance sheet	14
Cash flow statement	15
Notes to the accounts	16-25

THE RACING FOUNDATION

REFERENCE AND ADMINISTRATION DETAILS

FOR THE YEAR ENDED 31 DECEMBER 2017

Charity name

The Racing Foundation

Charity registration number

1145297

Company registration number

07890908

Registered address

75 High Holborn
London
WC1V 6LS

Directors and Trustees during the year

Sir Ian Good (Chairman until retired from the Board 30/6/17)
Ian Barlow (Chairman from 1/7/17)
Jane Keir
William Rucker
Mark Johnston (Appointed 1/1/17)

Directors and Trustees appointed since the 31st December 2017

Linda Bowles (10th April)
Susannah Gill (10th April)

Key Management Personnel

Chief Executive Officer

Rob Hezel

Grants Manager

Tansy Challis

Independent auditor

RSM UK Audit LLP
Bluebell House
Brian Johnson Way
Preston
PR2 5PE

Bankers

Weatherbys Bank Ltd
Sanders Road
Wellingborough
Northamptonshire
NN8 4BX

Investment managers

Cazenove Capital
Management
12 Moorgate
London
EC2R 6DA

James Hambro & Partners
Ryder Court
14 Ryder Street
London
SW1Y 6QB

Ruffer LLP
80 Victoria Street
London
SW1E 5JL

Sarasin & Partners LLP
Juxon House
100 St Paul's Churchyard
London
EC4M 8BU

THE RACING FOUNDATION

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Trustees are pleased to present their annual directors report together with the financial statements of the charity for the year ending 31 December 2017 which are also prepared to meet the requirements for directors' report and accounts for companies act purposes.

The financial statements comply with the charities act 2011, the Companies Act 2006, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with financial reporting standard applicable in the UK and Republic of Ireland (FRS 102).

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

The Racing Foundation was founded by its three Members, the British Horseracing Authority, the Racecourse Association and the Horsemen's Group in December 2011 so that the racing industry had an appropriate vehicle to accept and distribute funds arising from the government's sale of the Horserace Totalisator Board ('Tote').

The Racing Foundation is constituted as a company limited by guarantee, incorporated on 22nd December 2011 and registered as a charity on 6th January 2012. In the event of the company being wound up, Members are required to contribute an amount not exceeding £1. The company was established under a Memorandum of Association, which established the objects and powers of the charitable company and is governed under its Articles of Association.

Trustee Induction and Training

New Trustees are appointed with reference to the role description and person specification for Racing Foundation Trustees. This description is amended to reflect specific skills the Trustees consider they may require at each appointment stage. All Trustees receive an introductory presentation from Foundation staff and are provided with a range of documentation to update them on the Foundation's strategy, governance, policies and current challenges.

Trustees are encouraged to keep updated with relevant legislation, developments and best practice both within the racing and charity sectors and are regularly updated by staff at and between meetings.

Related Parties and co-operation with other organisations

The Foundation regularly updates its Members on key issues. This has included the appointment of new Trustees and the development of a new three-year strategy. More general updates have been provided by the CEO through attendance at the management committee meeting of the three organisations and addressing the BHA and RCA Boards. The Foundation engages with senior management and staff at these organisations to ensure it has a broad understanding of the industry and to provide greater detail and understanding on key issues. The Foundation has made progress in the delivery of the outstanding equine welfare industry pledge during the year by granting £687k to the development of an equine welfare assessment tool and an associated database project.

Pay policy for senior staff

Staff remuneration is reviewed annually at the year-end by the Chair and any changes are proposed to the Trustees for approval. During February 2018 Trustees approved an alignment of salaries against the mid-point range of benchmarks provided independently by Prospectus (third sector recruitment specialists).

Appointment of Trustees

The Members are responsible for the appointment of directors, who are also charity Trustees for the purposes of charity law. The number of Trustees shall consist of at least two and not more than six persons. Members appoint Trustees for terms of up to three years. Unless the Members agree unanimously, a Trustee may only serve a maximum of two terms before stepping down for a period. All new Trustees are given a full induction on joining the board of Trustees.

During 2017, Sir Ian Good completed his extended term as a Trustee and as Chair. Ian Barlow took over as Chair and the Foundation began a search for two new Trustees. The Board considered that it would be strengthened by individuals

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

with a knowledge of strategic HR management and PR and communications. Following an open process Linda Bowles (Group HR Director, Jockey Club) and Susannah Gill, were appointed as Trustees on the 10th April 2018 for initial terms of three years.

Organisation

The Trustees are responsible for the governance of the charity and for the use of its funds. In particular, the Trustees are responsible for setting the charity's strategy and policies, and monitoring progress and fulfilment of these. During the year the Trustees engaged with a range of stakeholders to assist in enabling them to set a new strategy for the next three years. Day to day management of the charity's affairs is delegated to the Chief Executive Officer who is supported by a Grants Manager. These individuals form the key staff for the charity and remuneration is set and reviewed annually by the Trustees.

OBJECTIVES AND ACTIVITIES

The objects of the charity are:

The advancement for the public benefit of any charitable purpose associated with the horseracing and thoroughbred breeding industry or with equine welfare, in each case by making grants to charities for such charitable purpose or purposes.

In furtherance of these objects, the Trustees developed a strategic plan which provides a framework for how the Foundation will operate over the period 2015-2018. The Foundation considers that the funds it has received from the government's sale of the Tote represent a unique opportunity to establish a lasting legacy for the horseracing and thoroughbred breeding industry. Therefore, in developing this plan, the Trustees agreed to take an approach that:

- Balances the needs of current and future generations;
- Develops supportive relationships with charities, based on mutual trust and respect;
- Encourages continuous improvement, reflection and learning; and,
- Reflects our independence and long-term perspective.

The key aims and objectives of the strategic plan for 2015-2018 were:

To deliver a portfolio of grant schemes that will make a difference to racing's participants, both human and equine.

- The Foundation managed a range of grant schemes that were open to applications from all racing charities. Grants were awarded for a range of purposes. These included:
 - Social welfare
 - Education, training and participation
 - Equine science research
 - Thoroughbred horse welfare
 - Heritage and culture
- The Foundation funded three **initiatives** that aimed to support the industry's Strategy for Growth by drawing together charities to make significant progress in:
 - Enhancing injury rehabilitation services for racing's people.
 - Creating development opportunities for racing's people.
 - Enhancing equine welfare.
- The Foundation continuously reviewed arrangements for the effective assessment of grant applications and decision-making.

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

To encourage and help charities work together.

- Support collaboration among organisations where it was appropriate.
- Liaised with racing industry funders and other charitable foundations to co-ordinate and increase resources available for racing charities.
- Captured, shared and applied learning from the activities funded.

To manage resources effectively in support of the Foundation's objectives.

- Maintain and develop effective systems of governance that supports our work, including the introduction of new Trustees.
- Consolidate the management and oversight of our long-term investment portfolio to support our grant making programmes.
- Deliver a range of communications output to inform key stakeholders of our work and share the successes of the charities we fund.

STRATEGIC REPORT

Grant Making Policy

The Foundation may only make grants to charities which have been established in the UK.

The Trustees of the Foundation are committed to ensuring that the Foundation's funds are applied appropriately for eligible purposes only and are subject to appropriate terms and conditions. To that end, the Trustees have set out the guidelines which shall be followed when considering any prospective grant.

- Social welfare
 - The improvement in the health or the rehabilitation from injury of current or former Members of the horseracing industry.
 - The prevention or relief of poverty amongst current or former Members of the horseracing industry and their dependents.
 - Community development work in areas particularly connected with the horseracing industry (provided it is clear how such grant will benefit current or former Members of the horseracing industry).
- Education, training and participation
 - The promotion of education and training connected with the horseracing and thoroughbred breeding industry.
- Equine science research
 - Applied research in the field of equine science insofar as the research project has immediate practical benefits to thoroughbred horseracing (but only where the useful results of any such research will be published and publicised).
- Thoroughbred horse welfare
 - The improvement of the welfare of current or former thoroughbred racehorses.
- Heritage and culture
 - The preservation or enhancement of the understanding of the history of the sport of horseracing, and its associated cultural impacts.

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

STRATEGIC REPORT (continued)

Public Benefit

The Trustees have referred to the Charity Commission's guidance on public benefit when reviewing aims and objectives and when planning future activities. Particular attention was paid to this guidance when preparing the charity's grant making policy such that grants will only be made to charities for charitable purposes, in accordance with the Racing Foundation's own objects. The grant application process has also been designed to ensure that it is accessible to all eligible applicants. Furthermore, charities applying for funding are asked to clearly state what benefits arise from their work and the Foundation's Trustees will give this their full consideration when awarding grants. The Trustees are therefore satisfied that the Foundation meets the Charity Commission's public benefit test. Details of the Foundation's achievements and performance in 2017 against the 2015-2018 strategic plan are listed below:

Achievements and Performance

- 1) *To deliver a portfolio of grant schemes that will make a difference to racing's participants, both human and equine.*
 - The Foundation ran three open funding rounds in 2017. In these open funding rounds, the Foundation received 44 applications with a combined value of £2,169,265. 36 grants were awarded totalling £1,932,139. (3 applications were rejected at 1st stage; 4 were rejected at 2nd stage and 1 has been deferred to future funding rounds pending collection of additional information).
 - In addition, the Foundation continued to offer its three pro-active funding initiatives and awarded 8 grants in these areas totalling £1,046,620
 - Finally, the Foundation worked in partnership with the Horserace Betting Levy Board ('HBLB') to administer a funding round for equine science research grants. The Foundation received 24 applications with a combined value of £5.7m. By collaborating with the HBLB, the Foundation has benefitted from their established relationships with research institutions and their Veterinary Advisory Committee's considerable expertise in assessing applications. This process results in a much lower percentage success rate in this area due to the nature of the bids.
 - A table analysing the number and value of applications received and grants awarded is provided below:

	Number of Applications Received	Value of Applications Received	Number of Grants Awarded	Value of Grants Awarded
Open Grants Programme				
Social welfare	8	£869,744	6	£855,494
Training, education & participation	25	£854,535	23	£676,535
Horse welfare	9	£128,486	5	£83,610
Heritage & culture	2	£316,500	2	£316,500
Sub-total	44	£2,169,265	36	£1,932,139
Equine Science Research	24	£5,700,000	2	£200,000
Total	68	£7,869,265	38	£2,132,139

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

STRATEGIC REPORT (continued)

Achievements and Performance (continued)

Pro-active Funding Initiatives

Personal Development Programme	5	£246,421
Enhancing Injury Rehabilitation	1	£112,853
Horse Welfare	2	£687,346
Sub-total	8	£1,046,620
Total	46	£3,178,759

- The Foundation has in place a rigorous review process for larger grants given and all Charities that receive a grant from the Foundation are asked to report back on how they have spent their grants, what they have achieved and what they have learnt from their work. Reporting is usually done at the project end or annually if it is a multi-year grant. These reports, together with the more informal ongoing communication that the Foundation's staff maintain with grantees, have assisted the process of capturing and sharing the learning from the work that is funded.

2) *To encourage and help charities work together.*

- In addition to the grants awarded, the Foundation has sought to encourage and support collaboration among racing charities. The Foundation has created opportunities for racing charities to work together notably through hosting charity seminars and work on creating resources to assist the racing charity community. In 2017 a seminar evaluating the research and work to date on the personal development planning initiative was held. Membership for all racing charities of the National Council for Voluntary Organisations (NCVO) was continued. The Foundation supported the launch of a central resource to help recruit volunteers for the sector and also identified a network of funders sympathetic to racings causes.

3) *Managing resources effectively in support of the Foundation's objectives*

- The Foundation seeks to maintain effective systems of governance. Four board meetings were held during 2017. Three Small Grants Committee meetings were held during 2017 with a 100% attendance record from all Members.
- The Foundation's activities are sustained by financial returns generated by its designated and expendable endowment funds. Management of these funds plays a crucial role in the Foundation's ability to support the funding of current and future generations within horseracing. Investment policy and performance is discussed in more detail below under 'investment policy and performance' however during the year investment returns were above target by 8.4%. Cumulatively, since inception, in 2012, they have exceeded the targets set by Trustees by 20%.
- Support costs, management and administration were 6% (2016: 8%) of total resources expended. This reflects the increased giving while maintaining the existing cost structure.
- The Foundation maintains a presence on the internet at www.racingfoundation.co.uk. The website was re-designed in the year to make its content and layout more compelling and the technology platform updated to increase its usability and accessibility across a range of platforms. The Foundation also sends out regular e-newsletter to charities and other stakeholders to keep them abreast of Foundation news and uses a Twitter handle: @RFoundation01 to provide grant alerts and updates on the charities and projects it supports.

RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

STRATEGIC REPORT (continued)

The Foundation continued to deliver positively against its strategy in 2017 supporting 46 bids with £3.2m of grants, supporting the outstanding industry pledge on equine welfare, providing opportunities for racing charities to network and develop and effectively managing its own resources.

Financial Review

The Racing Foundation received its final payment from the Department of Media, Culture and Sport in 2014. Its receipts have been placed with investment managers, with the aim of preserving the capital over the long term and generating investment income to fund grant-making activities.

The Foundation generated income from bank deposits and investments amounting to £2,205k (2016: £1,886k). Investment gains of £5,611 (2016: £7,689k) were achieved.

This helped fund expenditure of £3,590k (2016: £2,556k), including grants of £3,179k (2016: £2,025k).

Overall, as at 31 December 2017 the Foundation's net funds stood at £92,184k (2016: £87,958k).

Reserves Policy and going concern

The Foundation has adopted a policy of maintaining the long-term real capital value of all receipts arising from the government's sale of the Tote and only spending the financial return derived from the capital. This will ensure that the Tote sale proceeds generate a lasting legacy, which will benefit both current and future generations.

The funds received from the Department of Culture Media and Sport as expendable endowment, are held separately in the accounts along with a designated fund, representing those funds received from the Department of Culture Media and Sport in 2012, which did not carry the expendable endowment restriction on use. Whilst these monies came without restriction, the Trustees felt that it was important to treat these as contributing towards the long-term legacy of the Tote sale and placed an expendable endowment restriction on them too. While Charity Law does not allow for these funds to be merged they are treated identically.

The Foundation also maintains a general reserve. This unrestricted fund is used to accumulate investment income prior to being spent on charitable grants and costs associated with administering the Foundation.

Investment Policy and Performance

The Foundation has an investment policy, which applies to all monies held within the expendable endowment fund and the designated fund. The policy aims to maintain the real capital value over the long-term, whilst generating a sustainable level of return to support the grant-making activities of the Foundation. In 2017, Trustees and management have spent considerable time and effort and consulted widely to update the policy and to ensure our investment approach reflects the endowment nature of our funds whilst aligning with our strategic and operational plans. As a result of this work, £9m was transferred from the Expendable Endowment and Restricted funds to General Reserves. This provides for expenditure over the next three years protecting grant making and a proportion of the endowment from any re-valuation of the market.

In order to control risk and volatility in the investment portfolio, Trustees have adopted a long-term annual expenditure target of at least 3% of the investment asset value. As a result, the Trustees have adopted an investment performance benchmark of inflation (as measured by the Consumer Prices Index) plus 3% per annum, in the medium to long term after all costs.

The Foundation used the services of four investment managers during the year. Cazenove Capital Management, James Hambro and Partners and Sarasin and Partners LLP, (added in 2016) are the main investment managers, with a smaller additional sum invested with Ruffer. The performance of these investment managers is closely monitored by the Trustees, with the assistance of a specialist independent investment advisor.

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

STRATEGIC REPORT (continued)

Performance

The overall performance of investment managers exceeded the targets set for the year. Trustees expected performance to reflect a nett increase (in capital value and the generation of investment income) of CPI plus 3% which equated to 6% in 2017. Actual performances were:

Manager	2017 target	2017 actual	Target from inception	Actual from inception
James Hambro	6%	12%	26%	64%
Cazenove	6%	7.6%	26%	46.1%
Ruffer	6%	1.1%	26%	38.2%
Sarasin	6%	10.9%	8.9%	16.7%

This provided an increase of 9.22%, 3.22% above target in the year.

Plans for future Periods

During 2017 the Foundation conducted extensive stakeholder research to inform the development of the new strategy for the next 3 years and Trustees believe they have responded to the key themes that emerged from that research.

The strategy commits the foundation to:

- A spend of up to £10m over the period plus loan capital for relevant industry projects
- Alignment with industry strategies
- A concentration on people and horses
- Our own measurable improvement
- Increased responsibility for results

The approved strategy documents the Foundation's purpose, ambitions and activity for the next three years.

The Foundation's purpose is defined as:

- We exist to make a difference in racing by acting as a catalyst and a funder if improvement.

The Foundation's ambitions will be to:

- We will invest in the industry's people agenda to attract, develop and retain more staff.
- We will invest in the industry's equine agenda on welfare and research.
- We will challenge, collaborate with and support our charity and industry partners to improve the industry.
- We will be flexible and respond to any emerging needs if required.

The Foundation's activity will involve:

- Grant and loan funding
- Supporting the charity sector
- Ensuring delivery of our own processes and governance

The strategy is available to view in full at www.racingfoundation.co.uk.

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

Principal Risks and Uncertainties

The principal risks identified by Trustees together with the actions taken to mitigate these risks are set out below:

Risk description	Risk mitigation
Stock market volatility: Market volatility may impact upon both levels of investment income generated and the real value of the funds held.	The Trustees have consulted widely and taken advice during the year on their investment policy and approach. The investment policy has been updated in year. £9m has been removed from investment managers to reduce operational and investment risk of any market re-valuations. Managers performance continues to be closely monitored and Trustees have independent advisors who attend all meetings to advise them.
Lack of continuity and infrastructure: The need to replace Trustees and the small staff numbers threaten continuity.	Two new Trustees were appointed at the start of 2018. Management have been tasked with reviewing the staffing structure to ensure it is both robust, suitable and manages continuity issues if possible
Industry alignment: The Trustees use only the funds generated annually from investments (with some flexibility) and aim to maintain the real value of the investment to benefit future generations. This policy could come under scrutiny and pressure due to the financial demands stakeholders face in delivering and improving the sport.	The Trustees continue to be very clear to all stakeholders on their policy that Foundation funds are held as an endowment. A continued period of high investment performance has led to Trustees increasing grants to over £3m in 2017 and pledging up to £10m plus loan funding over the next three years. The Foundation engaged widely with stakeholders over the formulation of its new strategy and responded to stakeholder views.
IT fraud, cyber attack: The general levels of IT fraud have escalated however no attacks have taken place in year.	The Trustees are satisfied that the current banking procedures protect them from the type of fraud attempted in 2016. The general IT systems and security infrastructure will be reviewed with the auditors.

The Trustees have adopted a formal risk management process to assess risk and implement risk management strategies. This process involves:

- An annual review to identify the risks the Foundation may face.
- Prioritising risks in terms of probability of occurrence and potential impact.
- The establishment of systems and procedures to mitigate against those risks.

As a result of this process, the Trustees are satisfied that adequate procedures and systems are in place to effectively manage risk.

TRUSTEES' RESPONSIBILITIES STATEMENT

The Foundation's Trustees (who are also the directors for the purposes of Company Law) are responsible for preparing the Trustees' annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law and the law applicable to charities in England and Wales requires the charity Trustees to prepare financial statements for each year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources. In preparing the financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles of the Charities SORP;
- Make judgements and estimates that are reasonable and prudent;

THE RACING FOUNDATION

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Charities SORP (2016). They are also responsible for safeguarding the assets of the charity and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Disclosure to Auditors

In so far as the Trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware; and
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

DECLARATION

The Trustees declare that they have approved the Trustees' report above.

Signed on behalf of the charity's Trustees

Ian Barlow
Chairman of the Trustees

Dated

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RACING FOUNDATION FOR THE YEAR ENDED 31 DECEMBER 2017

Opinion on financial statements

We have audited the financial statements of The Racing Foundation (the 'charitable company') for the year ended 31 December 2017 which comprise of the Statement of Financial Activities including the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report and the incorporated Strategic Report 1 for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report and the incorporated Strategic Report have been prepared in accordance with applicable legal requirements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE RACING FOUNDATION
FOR THE YEAR ENDED 31 DECEMBER 2017**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report and the incorporated Strategic Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' responsibilities set out on page 9 and 10, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report. This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Karen Musgrave (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Bluebell House
Brian Johnson Way
Preston
PR2 5PE

Date:

THE RACING FOUNDATION

STATEMENT OF FINANCIAL ACTIVITIES

(Including the Income and Expenditure Account and Statement of Total Recognised Gains and Losses)

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Unrestricted funds £000s	Expendable endowment funds £000s	Total 2017 £000s	Total 2016 £000s
Income and endowments from:					
Donations and legacies		-	-	-	-
Income from investments		2,205	-	2,205	1,886
Total income and endowments	3	<u>2,205</u>	<u>-</u>	<u>2,205</u>	<u>1,886</u>
Expenditure from:					
Raising funds:					
Investment management costs		-	(184)	(184)	(252)
Charitable activities:					
Grant making		(3,406)	-	(3,406)	(2,304)
Total expenditure	4	<u>(3,406)</u>	<u>(184)</u>	<u>(3,590)</u>	<u>(2,556)</u>
Net gains on investments		729	4,882	5,611	7,689
Net (expenditure)/income		<u>(472)</u>	<u>4,698</u>	<u>4,226</u>	<u>7,019</u>
Transfers between funds		7,797	(7,797)	-	-
Net movement in funds		<u>7,325</u>	<u>(3,099)</u>	<u>4,226</u>	<u>7,019</u>
Total funds brought forward		<u>11,916</u>	<u>76,042</u>	<u>87,958</u>	<u>80,939</u>
Total funds carried forward		<u>19,241</u>	<u>72,943</u>	<u>92,184</u>	<u>87,958</u>

All of the activities are continuing. There were no recognised gains or losses other than those stated above.

The notes on pages 16 to 25 form part of these financial statements

THE RACING FOUNDATION

BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	Unrestricted funds £000s	Expendable endowment funds £000s	Total 2017 £000s	Total 2016 £000s
Fixed Assets					
Tangible assets	9	-	-	-	1
Investments	10	10,899	71,049	81,948	84,043
Total fixed asset		<u>10,899</u>	<u>71,049</u>	<u>81,948</u>	<u>84,044</u>
Current assets					
Debtors	11	37	-	37	66
Cash at bank and in hand	12	10,738	2,721	13,459	5,877
Total current assets		<u>10,775</u>	<u>2,721</u>	<u>13,496</u>	<u>5,943</u>
Creditors: amounts falling due within one year	13	<u>(2,289)</u>	<u>-</u>	<u>(2,289)</u>	<u>(1,267)</u>
Net current assets		<u>8,486</u>	<u>2,721</u>	<u>11,207</u>	<u>4,676</u>
Creditors: amounts falling due after one year	14	<u>(144)</u>	<u>(827)</u>	<u>(971)</u>	<u>(762)</u>
Net assets		<u><u>19,241</u></u>	<u><u>72,943</u></u>	<u><u>92,184</u></u>	<u><u>87,958</u></u>
Funds of the charity					
Unrestricted funds - general		8,029	-	8,029	230
- designated		11,212	-	11,212	11,686
Endowment funds		-	72,943	72,943	76,042
Total funds	15	<u><u>19,241</u></u>	<u><u>72,943</u></u>	<u><u>92,184</u></u>	<u><u>87,958</u></u>

These financial statements were approved and authorised for issue by the Trustees on 5th April 2018 and were signed on their behalf by:

Ian Barlow
Chairman of the Trustees

The notes on pages 16 to 25 form part of these financial statements.

THE RACING FOUNDATION

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Total 2017 £000s	Total 2016 £000s
Cash flows from operating activities	16a	<u>(2,329)</u>	<u>(2,463)</u>
Cash flows from investing activities			
Investment income received		2,205	1,886
Proceeds from sale of investments		16,557	52,525
Payments to acquire investment assets		(8,851)	(50,515)
Payments to acquire tangible fixed assets		<u>-</u>	<u>-</u>
Net cash used in investing activities		<u>7,582</u>	<u>1,433</u>
Change in cash and cash equivalents in the reporting period	16b	<u><u>7,582</u></u>	<u><u>1,433</u></u>

The notes on pages 16 to 25 form part of these financial statements.

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. BASIS OF PREPARATION

1.1 Basis of accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The financial statements are prepared in sterling, which is the functional currency of the Charity. Monetary amounts in these financial statements are rounded to the nearest £'000 unless otherwise stated.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

The Trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future and the company is well placed to manage its risks successfully. Accordingly, they adopt the going concern basis in preparing the annual report and accounts.

2 ACCOUNTING POLICIES

2.1 Incoming resources

Income is included in the Statement of Financial Activities (SoFA) when:

- the charity becomes entitled to the resources;
- the Trustees are virtually certain they will receive the resources; and
- the monetary value can be measured with sufficient reliability.

Where incoming resources have related expenditure the incoming resources and related expenditure are reported gross in the SoFA.

Grants and donations are only included in the SoFA when the charity has unconditional entitlement to the resources.

Short term debtors are measured at transaction price, less any impairment.

Investment income is included in the accounts when due. Investment gains and losses include any gain or loss on the sale of investments and any gain or loss resulting from revaluing investments to market value at the end of the year.

2.2 Expenditure and liabilities

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Governance costs include costs of the preparation and audit of statutory accounts, the costs of Trustee meetings and cost of any legal advice to Trustees on governance or constitutional matters.

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

2 ACCOUNTING POLICIES (continued)

Where the charity gives a grant commitment with conditions for its payment being a specific level of service or output to be provided, such grants are only recognised in the SoFA once the recipient of the grant has agreed to provide the specified service or output. Grants commitments payable without performance conditions are recognised in the accounts when a commitment has been made and there are no conditions to be met relating to the grant which remain in the control of the charity.

Support costs have been allocated to activity on the basis of staff time and resources.

2.3 Assets

Tangible fixed assets for use by charity are capitalised if they can be used for more than one year, and cost at least £1,000. They are valued at cost or a reasonable value on receipt.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost on a straight-line basis over their expected useful economic lives as follows:

Office equipment over 4 years

Investments are a form of basic financial instruments and are initially shown in the financial statements at market value. Movements in the market values of investments are shown as unrealised gains and losses in the Statement of Financial Activities.

2.4 Cash at bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

2.5 Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments, including trade and other debtors and creditors are initially recognised at transaction value and subsequently measured at settlement value.

2.6 Funds

General unrestricted funds are donations and other income receivable or generated for the objects of the charity.

Expendable endowment funds and designated funds are held separately from general unrestricted funds. There is no requirement to spend or apply the capital from either of these funds unless, or until, the Trustees decide to spend it. If the Trustees exercise the power to spend or apply the capital of the expendable endowment or designated funds, the relevant funds are transferred to unrestricted general funds in line with the terms of the original grant from the department of culture, media and sport.

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

3. ANALYSIS OF INCOMING RESOURCES	2017	2016
	£000s	£000s
Investment income		
Dividends receivable	2,183	1,862
Bank interest	22	24
	<u> </u>	<u> </u>
Total	2,205	1,886
	<u> </u>	<u> </u>
4. ANALYSIS OF RESOURCES EXPENDED	2017	2016
	£000s	£000s
Cost of generating funds		
Cost of generating voluntary income	-	-
Investment management fees	157	225
Independent investment advice	27	27
Support costs (see note 6)	20	16
	<u> </u>	<u> </u>
	204	268
Charitable activity: grant making		
Grants payable (see note 5)	3,179	2,025
Other charitable activity	11	102
Support costs (see note 6)	180	144
Governance - Auditor's fee	15	15
Governance - Trustees expenses	1	2
	<u> </u>	<u> </u>
	3,386	2,288
	<u> </u>	<u> </u>
Total	3,590	2,556
	<u> </u>	<u> </u>

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

5. GRANT EXPENDITURE	2017	2016
	£000	£000
Social Welfare:		
Liverpool John Moores University	-	208
Injured Jockeys Fund	500	50
Racing Welfare	99	49
Racing Centre	-	10
Horseback UK	5	-
Concussion Foundation	250	-
	<u>854</u>	<u>317</u>
Education, Training and Participation:		
Northern Racing College	38	846
British Racing School	171	32
British Horseracing Education Standards Trust (BHEST)	-	26
Oxford Brookes University	-	10
Greatwood Charity	30	10
University of Liverpool	120	-
HEROS	6	-
Pony Club	15	-
Thoroughbred Breeders Association	117	19
Racing to School	42	6
Racing Welfare	-	4
National Trainers Federation	68	-
Abingdon and Witney College	56	-
Durham University	10	-
Racehorse Sanctuary	5	-
Racing Centre	1	-
	<u>679</u>	<u>953</u>
Equine Science Research:		
Horserace Betting Levy Board	200	227
	<u>200</u>	<u>227</u>
Thoroughbred Horse Welfare:		
Retraining of Racehorses	19	252
Homing Ex-Racehorses Organisation Scheme (HEROS)	-	15
Moorcroft Racehorse Welfare Centre	-	-
Thoroughbred Rehabilitation Centre	5	-
Racehorse Rescue Centre	-	25
University of Exeter	39	-
Thoroughbred Breeders Association	10	-
New Beginnings	10	35
Racehorse Sanctuary	-	10
	<u>83</u>	<u>337</u>
Heritage and Culture:		
Home of Horseracing Trust	-	-
Free Spirit Memorial	-	5
Friends of Newmarket Library	-	10
National Horseracing Museum	317	-
	<u>317</u>	<u>15</u>
Injury and Rehabilitation Initiative:		
Racing Centre	-	114
Racing Welfare	113	-
	<u>113</u>	<u>114</u>

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

5. GRANT EXPENDITURE (continued)	2017	2016
	£000s	£000s
Personal Development Initiative:		
Jockeys Employment and Training Scheme	-	-
Wavertree Charitable Trust	13	-
Northern Racing College	100	-
British Racing School	47	-
Racing Welfare	86	62
	<u>246</u>	<u>62</u>
Equine Welfare Initiative:		
University of Bristol	687	-
	<u>687</u>	<u>-</u>
Total grant expenditure	<u><u>3,179</u></u>	<u><u>2,025</u></u>

All grants were made to organisations. No grants were made to individuals.

6. SUPPORT COSTS	Generating	Grant	Total
	funds	making	Total
	£000s	£000s	£000s
Management & administration	12	113	125
Website, IT and communications	2	17	19
Travel and general office expenses	6	50	56
	<u>20</u>	<u>180</u>	<u>200</u>

All support costs are allocated to activities based on the approximate amount of staff time devoted to each activity.

7. TRUSTEE REMUNERATION AND EXPENSES

The Trustees received no remuneration for their role as Trustee during this or the preceding year.

Trustees' expenses of £829 (2016: £1,881) are included in charitable activities. These relate to travel and accommodation costs commensurate with attending Trustee meetings. Expenses were reimbursed to 1 Trustee during the year (2016: 1).

8. STAFF COSTS	2017	2016
	£000s	£000s
Gross wages	100	95
Employer's national insurance contributions	11	11
Pension costs	10	7
Other benefits	-	-
Total staff costs	<u><u>121</u></u>	<u><u>113</u></u>

Two employees were employed by the company during the year (2016: 2)

Key staff incurred total remuneration costs of £121k during the year (2016: £113k).

One employee earned between £60-£70k during the period (2016: 1).

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

9. TANGIBLE FIXED ASSETS	Office Equipment £000s	Total £000s
Cost		
Balance brought forward	11	11
Additions	-	-
Balance carried forward	<u>11</u>	<u>11</u>
Depreciation		
Balance brought forward	10	10
Depreciation charge for the year	1	1
Balance carried forward	<u>11</u>	<u>11</u>
Net book value		
Balance brought forward	<u>1</u>	<u>1</u>
Balance carried forward	<u>-</u>	<u>-</u>
10. FIXED ASSETS INVESTMENTS	2017 £000s	2016 £000s
Carrying market value at the beginning of the year	84,043	78,364
Additions to investments at cost	8,851	50,515
Disposals at carrying value	(16,557)	(52,525)
Investment gains/(losses)	5,611	7,689
Carrying market value at end of year	<u>81,948</u>	<u>84,043</u>
Historical cost at end of year	<u>68,938</u>	<u>73,758</u>
Analysis of investments (at market value)	£000s	£000s
Listed investments:		
Fixed interest securities	16,995	19,177
Equity shares	51,871	51,515
Common investment funds, investment trusts & unit trusts	<u>13,082</u>	<u>13,351</u>
Carrying market value at end of year	<u>81,948</u>	<u>84,043</u>
All investments held by the Foundation are registered on recognised UK, USA and International stock exchanges.		
Material investment holdings (at market value)		
The following investments represent more than 5% of the value of total investments:		
	£000s	£000s
CF Ruffer Absolute Return Fund	<u>9,010</u>	<u>9,056</u>

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

11. DEBTORS					2017	2016
					£000s	£000s
Prepayments and accrued income					37	66
					<u> </u>	<u> </u>
12. CASH AT BANK					2017	2016
					£000s	£000s
Cash on deposit with investment managers					2,721	4,185
Cash on bank deposit					1,282	1,557
Current account					9,456	135
					<u> </u>	<u> </u>
					13,459	5,877
					<u> </u>	<u> </u>
13. CREDITORS: amounts falling due within one year					2017	2016
					£000s	£000s
Grant commitments					2,214	1,134
Accruals and deferred income					23	78
Other creditors					52	55
					<u> </u>	<u> </u>
					2,289	1,267
					<u> </u>	<u> </u>
14. CREDITORS: amounts falling due after more than one year					2017	2016
					£000	£000
Grant commitments					971	762
					<u> </u>	<u> </u>
15. FUNDS ANALYSIS	Balance Brought Forward	Incoming Resources	Outgoing Resources	Transfers	Gains and Losses	Balance Carried Forward
	£000s	£000s	£000s	£000s	£000s	£000s
Unrestricted funds						
General reserves	230	2,205	(3,406)	9,000	-	8,029
Designated	11,686	-	-	(1,203)	729	11,212
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	11,916	2,205	(3,406)	7,797	729	19,241
Endowment funds						
Expendable:						
Tote Sale Proceeds	76,042	-	(184)	(7,797)	4,882	72,943
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total funds	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	87,958	2,205	(3,590)	-	5,611	92,184

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

15. FUNDS ANALYSIS (continued)

Unrestricted General Reserves

The general reserve represents those unrestricted funds held by the charity which have not been designated for a specific purpose. These funds receive all endowment income and are held to cover grant expenditure and the ongoing costs of administering the charity.

Unrestricted Designated – Tote Sale Proceeds

The Tote Sale Proceeds designated fund was established to hold funds granted by the Department for Culture Media and Sport, where those funds were not restricted as expendable endowment. Although unrestricted, the Trustees had chosen to designate these funds for long-term investment and treat them as an expendable endowment they only intend to spend the financial return generated by these funds.

Expendable Endowment – Tote Sale Proceeds

The Tote Sale Proceeds expendable endowment fund was established to hold funds granted by the Department for Culture Media and Sport, where those funds were deemed expendable endowment by the grantor. The Trustees have chosen to utilise these funds for long-term investment and will only spend the financial return generated by these funds.

16. NOTES TO THE CASH FLOW STATEMENT	2017	2016
	£000s	£000s
(a) Reconciliation of net income to net cash inflow from operating activities:		
Net income	(1,385)	(670)
Adjustments:		
Items not involving the movement of funds:		
Depreciation charge	1	2
Investment income receivable	(2,205)	(1,886)
Changes in working capital:		
Decrease in debtors	29	66
Increase in creditors	1,231	25
	<u>(2,329)</u>	<u>(2,463)</u>
Net cash inflow from operating activities	<u>(2,329)</u>	<u>(2,463)</u>
(b) Reconciliation of net cash flow to movement in net funds:		
Increase in cash in the year	<u>7,582</u>	<u>1,433</u>
Change in net funds	<u><u>7,582</u></u>	<u><u>1,433</u></u>

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

16. NOTES TO THE CASH FLOW STATEMENT (continued)

(c) **Analysis of the change in net funds:**

	1 Jan 2017 £000s	Cash flow £000s	31 Dec 2017 £000s
Net cash:			
Cash at bank and in hand	5,877	7,582	13,459
Change in net funds	<u>5,877</u>	<u>7,582</u>	<u>13,459</u>

17. TRANSACTIONS WITH RELATED PARTIES

During the year grants with a combined value of £298,000 (2016: £125,000) were awarded to Racing Welfare. The sole member of Racing Welfare is the Jockey Club. Sir Ian Good and William Rucker were Trustees of the Racing Foundation and Members of the Jockey Club during the year. At the year end the balance due to Racing Welfare was £263,211 (2016: £20,000).

During the year grants with a combined value of £316,500 (2016: £0) were awarded to the National Horseracing Museum. Ian Barlow is a Trustee of the National Horseracing Museum. At the year end the balance due to the National Horseracing Museum was £225,000 (2016: £0).

During the year payments amounting to £84 (2016: £1,140) were made to the British Horseracing Authority for catering supplied during meetings and seminars held at the British Horseracing Authority's offices. The British Horseracing Authority is one of the three Members of the Racing Foundation. At the year end the balance due to the British Horseracing Authority was £0 (2016: £0).

18. ACTIVITIES BY FUND IN PREVIOUS YEAR

Activities in both unrestricted and restricted funds for the previous year are as follows:-

	Notes	Unrestricted funds £000's	Expendable endowment funds £000's	Total 2016 £000's
Income and endowments from:				
Donations and legacies		-	-	-
Income from investments		1,886	-	1,886
Total income and endowments	3	<u>1,886</u>	<u>-</u>	<u>1,886</u>
Expenditure on:				
Raising funds:				
Investment management costs		-	(252)	(252)
Charitable activities:				
Grant making		(2,304)	-	(2,304)
Total expenditure	4	<u>(2,304)</u>	<u>(252)</u>	<u>(2,556)</u>
Net gains on investments		1,021	6,668	7,689
Net income / (expenditure)		<u>603</u>	<u>6,416</u>	<u>7,019</u>

THE RACING FOUNDATION

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

19. Net income/(expenditure) for the year	2017	2016
	£000s	£000s
This stated after charging:		
Depreciation	1	2
Auditors remuneration	15	15
	<u> </u>	<u> </u>